



FAX TRANSMITTAL SHEET

DATE: January 31, 2000

TO: Mr. David S. Guzy
Minerals Management Service
Fax# 303-231-3385

FROM: Beth Daley, Director of Public Affairs
Project On Government Oversight
Phone# 202-466-5539, Fax# 202-466-5596

ATTN: Further Supplementary Proposed Rulemaking Establishing Oil
Value for Royalty Due on Federal and Indian Leases

Dear Mr. Guzy:

The enclosed letter is being submitted as Public Comments on two rule making processes:

--Further Supplementary Proposed Rulemaking Establishing Oil Value for Royalty Due on Federal Leases / 30 CFR Part 206, RIN 1010-AC09

--Further Supplementary Proposed Rulemaking Establishing Oil Value for Royalty Due on Indian Leases / 30 CFR Part 206, RIN 1010-AC24

**Alaska Wilderness League ♦ American Federation of Government Employees
American Federation of State, County & Municipal Employees (AFSCME)
American Lands Alliance ♦ American Oceans Campaign ♦ American Rivers
Better Government Association ♦ Common Cause
Consumer Federation of America ♦ Council of Chief State School Officers
Friends of the Earth ♦ Government Accountability Project ♦ Greenpeace
Mineral Policy Center ♦ Native American Rights Fund
Natural Resources Defense Council ♦ Navajo Nation ♦ Ozone Action
Project On Government Oversight ♦ Public Citizen Critical Mass Energy Project
Public Employees for Environmental Responsibility
Service Employees International Union
Taxpayers for Common Sense ♦ U.S. PIRG**

January 31, 2000

David S. Guzy, Chief
Rules & Publications Staff
Royalty Management Program
Minerals Management Service
P.O. Box 25165, MS 3021
Denver, CO 80225

Attn: Further Supplementary Proposed Rulemaking Establishing Oil Value for Royalty Due on
Federal and Indian Leases

Dear Mr. Guzy:

The undersigned organizations urge the Minerals Management Service (MMS) to finalize the Indian and Oil Valuation Rules for implementation as soon as the Congressional moratorium is lifted on March 15, 2000.

In general we believe these proposed rules will better protect the interests of the taxpayers, Indian tribes and the environment than existing royalty collection policies. In particular, we support MMS' use of openly-traded index or spot prices and gross proceeds methodologies rather than industry-created "posted prices" when determining the value of oil. The oil industry has shortchanged the federal government and Indian tribes by as much as \$2 billion under posted pricing methodologies according to conclusions reached by the House Government Reform Committee in 1996.

Whistleblowers joined by the Justice Department in litigation over these issues argue in their complaint that companies have systematically sold oil at below-market value with the intent of shortchanging the federal government and Indian tribes of royalties. Their litigation alleges that since 1988, oil companies have submitted more than 500,000 false or fraudulent oil royalty

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payment claims to the federal government. Since the last public comment period, oil companies have announced nearly \$300 million in settlements or near settlements with the Justice Department over these allegations. Policy reforms are sorely needed to prevent future underpayments and litigation of this kind.

We hope this is the last time the Federal and Indian Oil Valuation Rules are re-opened for comment. As Susan Kladiva of the GAO testified in Congress in May, 1999 regarding their review of MMS' rulemaking process: "...the General Accounting Office is not too prone to be complimentary of agencies when we do work...we [GAO] believe that they've [MMS] been deliberate and that they have taken all due care to include the positions and to respond to the positions that have been put forth by the states, as well as the industry...So it appears to be a long time. But we believe that it has been thoughtfully approached."

We do too. We urge MMS to implement the Indian and Oil Valuation Rules starting in March in order to avoid any further loss of royalty revenue.

Sincerely,

Adam Kolton, Arctic Campaign Director
Alaska Wilderness League
202-544-5205

J. Terrence Brunner, Executive Director
Better Government Association
312-427-8330

Beth Moten, Legislative Director
American Federation of Government
Employees (AFGE)
202-639-6466

Scott Harshbarger, President
Common Cause
202-833-1200

Charles M. Loveless, Legislative Director
American Federation of State, County and
Municipal Employees (AFSCME)
202-429-5006

Travis Plunkett, Legislative Director
Consumer Federation of America
202-387-6121

Steve Holmer, Campaign Coordinator
American Lands Alliance
202-547-9105

Gordan M. Ambach, Executive Director
Council of Chief State School Officers
202-336-7002

Ted Morton, Policy Director
American Oceans Campaign
202-544-3526

Courtney Cuff, Legislative Director
Friends of the Earth
202-783-7400 x207

Ann C. Mills, Vice President
American Rivers
202-347-7550

Louis Clark, Executive Director
Government Accountability Project
202-408-0034

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Gary Cook, Director of Climate Campaign
Greenpeace
202-319-2419

Alan Septoff, Reform Campaign Director
Mineral Policy Center
202-887-1872 x205

John E. Echohawk, Executive Director
Native American Rights Fund
303-447-8760

Kathleen E. Sheg, Legislative Director
Natural Resources Defense Council
202-689-6868

Perry Shirley, Assistant Director
Minerals Department
Navajo Nation
520-871-6340

John Passacantando, Executive Director
Ozone Action
202-265-6738

Danielle Brian, Executive Director
Project On Government Oversight
202-466-5539

Wenonah Hauter, Director
Public Citizen Critical Mass Energy Project
202-546-4996

Jeff Ruch, Executive Director
Public Employees for Environmental
Responsibility
202-265-7337

Skip Roberts, Legislative Director
Service Employees International Union
202-898-3200

Ralph DeGennaro, Executive Director
Taxpayers for Common Sense
202-546-8500

Anna Aurilio, Staff Scientist
U.S. PIRG
202-546-9707